

Senate Study Bill 1283

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CO=CHAIRPERSON ZIEMAN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the credits authorized under the state income,
2 franchise, and insurance premiums taxes for increasing
3 employment in the state and including effective and
4 applicability date provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 2647XC 81
7 mg/cf/24

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1 1 Section 1. NEW SECTION. 15E.314 DEFINITIONS.
1 2 For purposes of this division, unless the context otherwise
1 3 requires:
1 4 1. "Average county wage" means the average hourly wage
1 5 calculated by the department which equals the lesser of the
1 6 following:
1 7 a. The average hourly wage paid by all businesses in the
1 8 entire county.
1 9 b. The average hourly wage paid by all businesses in the
1 10 county located outside the largest city of the county.
1 11 c. The average hourly wage paid by all businesses other
1 12 than the largest employer in the entire county.
1 13 2. a. "Qualified new job" means a job that meets all of
1 14 the following:
1 15 (1) Is a new full-time job that has not existed in the
1 16 business within the previous twelve months in the state.
1 17 (2) Is filled by a new employee for at least twelve
1 18 months.
1 19 (3) Is filled by a resident of the state.
1 20 (4) Is not created as a result of a change in ownership.
1 21 b. "Qualified new job" does not include any of the
1 22 following:
1 23 (1) A job previously filled by the same employee in the
1 24 state.
1 25 (2) A job that was relocated from another location in the
1 26 state.
1 27 (3) A job that is created as a result of a consolidation,
1 28 merger, or restructuring of a business entity if the job does
1 29 not represent a new job in the state.
1 30 3. "Retained qualified new job" means the continued
1 31 employment for another twelve months of the same employee in a
1 32 qualified new job.
1 33 Sec. 2. NEW SECTION. 15E.315 INCREASED EMPLOYMENT TAX
1 34 CREDIT.
1 35 1. a. Any nonretail business may claim a tax credit equal
2 1 to a percentage of the annual wages and benefits paid for a
2 2 qualified new job created by the location or expansion of the
2 3 business in the state. The tax credit shall be allowed
2 4 against taxes imposed under chapter 422, division II, III, or
2 5 V, and chapter 432. The percentage shall be equal to the
2 6 amount provided in subsection 2. Any tax credit in excess of
2 7 the tax liability for the tax year may be credited to the tax
2 8 liability for the following seven years or until depleted,
2 9 whichever occurs first.
2 10 b. If the business is a partnership, S corporation,
2 11 limited liability company, or estate or trust electing to have
2 12 the income taxed directly to the individual, an individual may
2 13 claim the tax credit allowed. The amount claimed by the
2 14 individual shall be based upon the pro rata share of the

2 15 individual's earnings of the partnership, S corporation,
2 16 limited liability company, or estate or trust.

2 17 2. The percentage of the wages and benefits paid for a
2 18 qualified new job is determined as follows:

2 19 a. If the hourly wage for the qualified new job equals at
2 20 least one hundred fifty percent of the average county wage,
2 21 twenty percent.

2 22 b. If the hourly wage for the qualified new job equals at
2 23 least one hundred forty percent but less than one hundred
2 24 fifty percent of the average county wage, seventeen percent.

2 25 c. If the hourly wage for the qualified new job equals at
2 26 least one hundred thirty percent but less than one hundred
2 27 forty percent of the average county wage, fourteen percent.

2 28 d. If the hourly wage for the qualified new job equals at
2 29 least one hundred twenty percent but less than one hundred
2 30 thirty percent of the average county wage, eleven percent.

2 31 e. If the hourly wage for the qualified new job equals at
2 32 least one hundred ten percent but less than one hundred twenty
2 33 percent of the average county wage, eight percent.

2 34 f. If the hourly wage for the qualified new job equals at
2 35 least one hundred percent but less than one hundred ten
3 1 percent of the average county wage, five percent.

3 2 g. If the hourly wage for the qualified new job equals
3 3 less than one hundred percent of the average county wage, zero
3 4 percent.

3 5 3. A qualified new job is entitled to the tax credit upon
3 6 the end of the twelfth month of the job having been filled.

3 7 Once a qualified new job is approved for a tax credit, tax
3 8 credits for the next four subsequent tax years may be approved
3 9 if the job continues to be filled and application is made as
3 10 provided in section 15E.316. The percentage determined under
3 11 subsection 2 for the first tax year shall continue to apply to
3 12 subsequent tax credits as the credits relate to that qualified
3 13 new job.

3 14 Sec. 3. NEW SECTION. 15E.316 TAX CREDIT CERTIFICATION ==
3 15 CREDIT TRANSFER.

3 16 1. In order for a qualified new job or retained qualified
3 17 new job to be approved for an increased employment tax credit,
3 18 the business shall submit an application to the department
3 19 along with any other information required. Applications for
3 20 approval shall be on forms approved by the department.

3 21 2. Upon approval of a qualified new job, a certificate of
3 22 approval shall be obtained from the department. A certificate
3 23 of approval shall identify the business claiming the tax
3 24 credit under this division and the wage and benefit costs
3 25 incurred during the previous twelve months.

3 26 3. After verifying the eligibility for the tax credit, the
3 27 department, in consultation with the department of revenue,
3 28 shall issue an increased employment tax credit certificate of
3 29 approval to be attached to the person's tax return. The tax
3 30 credit certificate shall contain the taxpayer's name, address,
3 31 tax identification number, the date of the qualified new job,
3 32 the amount of credit, other information required by the
3 33 department of revenue, and a place for the name and tax
3 34 identification number of a transferee and the amount of the
3 35 tax credit being transferred.

4 1 4. The total amount of tax credits that may be approved
4 2 for a fiscal year under this division shall not exceed twenty
4 3 million dollars. The department shall establish by rule the
4 4 procedures for the application, review, selection, and
4 5 awarding of certificates of approval. The departments of
4 6 economic development and revenue shall each adopt rules to
4 7 jointly administer this subsection and shall provide by rule
4 8 for the method to be used to determine for which fiscal year
4 9 the tax credits are available. If the approved tax credits
4 10 exceed the maximum amount that may be approved for a fiscal
4 11 year, each tax credit shall be prorated and the taxpayer is
4 12 entitled to that prorated amount, and the taxpayer is not
4 13 entitled to any unpaid portion of a tax credit and is not
4 14 entitled to carry forward or backward to another tax year any
4 15 unpaid portion of a tax credit.

4 16 5. Tax credit certificates issued under this division may
4 17 be transferred to any person or entity. Within ninety days of
4 18 transfer, the transferee must submit the transferred tax
4 19 credit certificate to the department of economic development
4 20 along with a statement containing the transferee's name, tax
4 21 identification number, and address, the denomination that each
4 22 replacement tax credit certificate is to carry, and any other
4 23 information required by the department of revenue. Within
4 24 thirty days of receiving the transferred tax credit
4 25 certificate and the transferee's statement, the department of

4 26 economic development shall issue one or more replacement tax
4 27 credit certificates to the transferee. Each replacement
4 28 certificate must contain the information required under
4 29 subsection 3 and must have the same expiration date that
4 30 appeared in the transferred tax credit certificate. Tax
4 31 credit certificate amounts of less than the minimum amount
4 32 established by rule of the department shall not be
4 33 transferable. A tax credit shall not be claimed by a
4 34 transferee under this division until a replacement tax credit
4 35 certificate identifying the transferee as the proper holder
5 1 has been issued.

5 2 The transferee may use the amount of the tax credit
5 3 transferred against the taxes imposed under chapter 422,
5 4 divisions II, III, and V, and chapter 432 for any tax year the
5 5 original transferor could have claimed the tax credit. Any
5 6 consideration received for the transfer of the tax credit
5 7 shall not be included as income under chapter 422, divisions
5 8 II, III, and V. Any consideration paid for the transfer of
5 9 the tax credit shall not be deducted from income under chapter
5 10 422, divisions II, III, and V.

5 11 Sec. 4. NEW SECTION. 15E.317 MONITORING OF JOB CREATION.

5 12 1. The department shall develop definitions for the terms
5 13 "job creation" and "job retention" to measure and identify the
5 14 number of permanent, full-time positions which businesses
5 15 actually create and retain and which can be documented by
5 16 comparison of the payroll reports during the twenty-four-month
5 17 period before and after tax credits are earned.

5 18 2. A nonretail business that has created a qualified new
5 19 job for which a tax credit under this division is granted is
5 20 eligible to receive a tax credit for each of the four
5 21 subsequent tax years if the business retains the qualified new
5 22 job during each of the twelve months ending in each of the tax
5 23 years.

5 24 Sec. 5. NEW SECTION. 15E.318 OTHER INCENTIVES.

5 25 A nonretail business may receive other applicable federal,
5 26 state, and local incentives and tax credits in addition to
5 27 those provided in this division. However, a business which
5 28 has received a tax credit under this division shall not
5 29 receive any funds or incentives under the grow Iowa values
5 30 fund, if created.

5 31 Sec. 6. NEW SECTION. 422.11K INCREASED EMPLOYMENT TAX
5 32 CREDIT.

5 33 The taxes imposed under this division, less the credits
5 34 allowed under sections 422.12 and 422.12B, shall be reduced by
5 35 an increased employment tax credit authorized pursuant to
6 1 section 15E.315.

6 2 Sec. 7. Section 422.33, Code 2005, is amended by adding
6 3 the following new subsection:

6 4 NEW SUBSECTION. 17. The taxes imposed under this division
6 5 shall be reduced by an increased employment tax credit
6 6 authorized pursuant to section 15E.315.

6 7 Sec. 8. Section 422.60, Code 2005, is amended by adding
6 8 the following new subsection:

6 9 NEW SUBSECTION. 9. The taxes imposed under this division
6 10 shall be reduced by an increased employment tax credit
6 11 authorized pursuant to section 15E.315.

6 12 Sec. 9. NEW SECTION. 432.12F INCREASED EMPLOYMENT TAX
6 13 CREDIT.

6 14 The taxes imposed under this chapter shall be reduced by an
6 15 increased employment tax credit authorized pursuant to section
6 16 15E.315.

6 17 Sec. 10. EFFECTIVE AND APPLICABILITY DATE. This Act,
6 18 being deemed of immediate importance, takes effect upon
6 19 enactment and applies to qualified new jobs created on or
6 20 after the effective date. The Act applies to tax years ending
6 21 on or after the effective date of the Act.

6 22 EXPLANATION

6 23 This bill provides increased employment tax credits under
6 24 the individual and corporate income taxes, franchise tax, and
6 25 insurance premiums tax. The amount of the tax credit equals a
6 26 percentage of the wages and benefits paid in the previous 12
6 27 months to the employee in a qualified new job. The percentage
6 28 varies with the maximum being 20 percent if the hourly wage
6 29 paid to the new employee is at least 150 percent of the
6 30 average county wage and the minimum being 5 percent if the
6 31 hourly wage equals the average county wage. No tax credit is
6 32 granted if the hourly wage is less than the average county
6 33 wage. The average county wage is calculated by the department
6 34 of economic development and equals the lesser of the average
6 35 county hourly wage paid by all businesses and the average
7 1 county hourly wage paid by all businesses excluding businesses

7 2 in the largest city or the largest employer.

7 3 A qualified new job is not created if it involves the
7 4 rehiring of previously laid-off employees or results from a
7 5 relocation from another place in Iowa or a merger of
7 6 businesses located in Iowa.

7 7 Once a tax credit is granted for new employment, the
7 8 business may continue to receive for up to the next four tax
7 9 years a tax credit for retaining that new employee. The
7 10 business must reapply each year and establish by rule of the
7 11 department of economic development that it has retained the
7 12 new employee.

7 13 The bill provides that a maximum of \$20 million in tax
7 14 credits are to be awarded in a fiscal year. If there are more
7 15 claims for tax credits than the \$20 million, each claim will
7 16 be reduced on a pro rata basis and that is all that may be
7 17 claimed by the taxpayer. The amount not awarded cannot be
7 18 carried forward. However, once a taxpayer has been awarded
7 19 the tax credit, if the credit exceeds the tax liability, the
7 20 excess may be carried forward up to seven years.

7 21 The bill provides that retail businesses are not eligible
7 22 to receive tax credits for increased employment.

7 23 The bill takes effect upon enactment and applies to
7 24 qualified new jobs created on or after the enactment date.

7 25 LSB 2647XC 81

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